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Mr. Chairman and members of the Committee, I want to thank you for the unusual opportunity for me to comment and share my views concerning the wide array of ongoing challenges faced by the Department of the Interior (Department or DOI) and impart to you some success stories, as well.

In thinking about how to frame my testimony today, I concluded that it may be most useful to the Committee if I were to discuss with you the Department's successes and its continuing challenges in the context of our audit/evaluation and investigative work over the last several years.

Let me begin by telling you about some of the changes that have taken place in the Office of Inspector General (OIG) since I last testified before this Committee in July of 2000. At that time, I was less than a year into my tenure as Inspector General (IG), but had already begun my effort to transform the OIG. Utilizing a philosophy that blends cooperation with strong oversight and enforcement, I believe that my office has now evolved into a high-performing, results-oriented oversight entity dedicated not only to detecting and preventing fraud, waste and mismanagement, but also to assisting the Department in identifying and implementing new and better ways of conducting business.

Historically, the OIG for DOI had done little to change its approach to auditing and investigating, tending to focus solely on problems, rather than identify and propose possible solutions. We have since developed a number of new tools to accomplish our mission. For instance, we often conduct evaluations, rather than audits, to quickly

examine programs, determine the conditions, and provide the Department with the information it needs to implement change. In our investigations, we supplement our reports with products such as management advisories and assessment reports, in which we describe underlying conditions that allow or contribute to a specific problem or crime, and provide the Department with suggested actions it might take to correct the condition.

For years, a standard audit recommendation included seeking additional funding to correct a deficiency or shortcoming. With shrinking budgets and increasing demands on every component in the Department, we realized that this recommendation had to be augmented with creative suggestions on ways to redistribute, share, or leverage existing resources. For example, in an evaluation requested by the Department of its Equal Employment Opportunity Office, we asked our team to identify best practices, shared resources, and consolidation of functions as they looked for ways to fix a poorly managed program. Although this was a new approach, the Department received our final report enthusiastically and adopted the key recommendations emanating from the report, which involved little or no money or personnel. I would like to think that such creative, cost-saving recommendations can become our norm.

We also endeavor, whenever possible, to focus our efforts on high-risk or high-impact issues that touch upon multiple bureaus. Naturally, such an effort is far more labor intensive and takes longer to complete; thus, we see a logical decrease in our raw numbers. On the other hand, we are providing the Secretary with the opportunity to implement recommendations that have a much greater impact on the Department as a whole. For instance, we recently issued our report on the Department's Radio Communication Program, which impacts multiple DOI bureaus. We presented findings

that touched on the overall Radio Communication Program and provided and recommendations that should, if implemented, address health and safety issues, correct infrastructure shortcomings, and save money throughout the Department. Within the last couple of years, we have conducted similarly structured audits and evaluations on such diverse issues as grants, cooperative agreements, competitive sourcing, land acquisitions, hazardous materials on public lands, fleet management, and worker's compensation.

In addition, we have changed the way we measure our success, moving away from the traditional IG approach of measuring success by statistics – such as the number of audits or the number of arrests. Although it is more of a challenge, I prefer to measure our success by articulating how our recommendations and suggestions have improved the Department's mission and overall operations or effected a real change in behavior. For instance, when we issued a Report of Investigation in 2003 that was highly critical of the conduct of certain Departmental officials who had circumvented valuation requirements in a proposed land exchange, the Department, to its credit, promptly undertook a wholesale restructuring of its appraisal program and policies.

Having said all this, however, I am not here to say that all is well at the Department of the Interior. In fact, the Department faces some enormous challenges in several areas. I would like to highlight one of those matters specifically and discuss several more general issues of concern that I have.

I am sure that this Committee is well aware of our recent audit and investigation into royalty-related matters at the Minerals Management Service (MMS). Ironically, in 1993 – 14 years ago this month – one of my predecessor IGs, testifying before this very

committee, also identified MMS' royalty collections and audit coverage of royalty collections as having significant deficiencies.

In short, our audit of MMS' compliance review process found that compliance reviews play a useful role in MMS' greater Compliance and Asset Management Program. Compliance reviews can provide a broader coverage of royalties, using fewer resources than traditional audits. They do not, however, provide the same level of detail or assurance that a traditional audit provides. As a result, we concluded that compliance reviews should only be used in conjunction with audits, in the context of a well-designed, risk-based compliance strategy. We also identified two principal weaknesses that prevent MMS from maximizing the benefits of compliance reviews. First, we discovered that very few full audits were ever triggered by anomalies discovered in the compliance review process. We also learned that because the program's performance measures were tied to dollar figures, only the big companies and leases were being reviewed, leaving hundreds of smaller companies that MMS never looked at.

With few exceptions, MMS agreed with our recommendations; most notably, MMS agreed to revise its performance measures and to develop and pilot a risk-based compliance strategy for its compliance review process; and, as promised, MMS has now provided us with an Action Plan for implementing all of these changes.

Contemporaneous with this audit, we conducted an investigation into the failure of MMS to include price thresholds in the terms of deepwater leases issued in 1998 and 1999. We have determined that MMS intended to include price thresholds in leases issued pursuant to the Deepwater Royalty Relief Act, as evidenced in the first leases issued in 1996 and 1997, as well as in 2000; but while MMS was developing new

regulations relating to the Deepwater Royalty Relief Act, there was significant confusion among MMS operational components and the Office of Solicitor as to whether or not the regulations would address price thresholds. In the end, the regulations did not, and the price thresholds were left out of the leases. Although we found massive finger-pointing and blame enough to go around, we did not find a "smoking gun" or any evidence that the omission of price thresholds was deliberate; this was, however, a very costly mistake.

Although featured most prominently in recent headlines, MMS does not have a corner on issues of concern. As an example, my office has been active in assessing the Department's Information Technology (IT) security program. Like most other OIGs, we conduct an annual Federal Management Security Management Act (FISMA) evaluation, along with several evaluations and investigations of specific program components related to IT security each year. In fact, last year we issued 14 reports to the Department with recommendations for improvement. Our work includes technical assessments of both internal and external threats and actual penetration testing to determine the effectiveness of security provisions for DOI's networks.

Our work has provided the Department with detailed assessments of the state of IT security and numerous recommendations to address security vulnerabilities. Overall, while we are seeing continued progress in IT security, significant weaknesses still exist. Although we have credited the Department with making that progress, we have concluded that DOI is not yet in full compliance with FISMA. Specifically, we continue to see weaknesses in the quality of DOI's Certification and Accreditation practices and problems regarding implementation of security configuration standards for computers and networks.

A significant impediment to improving cyber security and gaining full compliance with FISMA is DOI's decentralized IT management structure. My office supports the concept of reorganizing and centralizing key IT security functions. This concept would probably not enjoy widespread support from the various bureaus of the Department, each of which maintains an autonomous Chief Information Officer (CIO). However, a stronger centralized CIO function with adequate resources for technical efforts such as computerized asset management and continuous monitoring would materially improve cyber security at DOI.

Other security concerns lie in the protection of our national icons and dams. More than 3 years have elapsed since we issued the results of our last assessment in 2003 of the Department's efforts to develop and enhance security at our national icon parks. At that time, the National Park Service (NPS) lacked commitment, continuity, and consistency in the planning and execution of protections of the national icon parks. While we believe that they have since made strides in security implementation, the results of a recent survey of the Park Police officers who help secure the icons indicate otherwise. We intend to undertake a follow-up assessment to determine the present state of security over our national icons.

With respect to the protection of our critical dams, we found in 2005 that the Bureau of Reclamation (BOR) had made significant progress in developing a coordinated, comprehensive program to secure its dam facilities, although we found the law enforcement component within BOR to be the weakest link in the overall program. Since that time, however, BOR has committed to strengthening its law enforcement and has addressed many of our concerns.

This presents a natural segue to the state of law enforcement at DOI. Last year, we completed our second Progress Report on the Secretary's Directives for Implementing Law Enforcement Reform resulting from a major assessment we finished in 2002.. After nearly 4 years of effort, we found that the Department and bureaus continued to struggle with the implementation of the Secretary's Directives, with only 10 of 25 fully implemented. As a result, we have committed to conduct future assessments focusing on the effectiveness of specific Departmental law enforcement programs. For instance, we are about to issue our first report on the Fish and Wildlife law enforcement program, which will describe mixed results.

Law enforcement in Indian Country is also of great concern, but it is only one of many problems that plague the Bureau of Indian Affairs (BIA) and the American Indians who rely on its services. In 2004, we issued a report with alarming findings about the state of Indian detention facilities. As we were conducting our assessment of Indian detention facilities, the death of a 16-year-old Indian girl at a boarding school detention facility prompted us to conduct a separate investigation that uncovered dual failure by the BIA Office of Indian Education Programs and Office of Law Enforcement Programs to address safety and security issues surrounding the boarding school detention facility. BIA has made some progress in addressing the deplorable conditions we found in Indian detention facilities, but it has much left to do, particularly in the areas of adequate staffing, which also translates to officer safety, and medical care for prisoners.

I also have well-grounded, continuing concerns about the management and oversight conducted over the Insular Area Governments by the Office of Insular Affairs. U.S. monies provided to the Insular Areas are not insubstantial – the latest annual audited

financial reports showed the receipt and use of at least $683 million of federal funds. The accountability issues related to these funds have been well documented in our reports over the years, and are well known by Federal grantor agency officials, including Office of Insular Affairs officials, who are charged with monitoring awards made to the Insular Areas. Over the years, however, federal oversight and corrective action enforcement has been primarily performed through periodic visits and/or long-distance efforts, which have not necessarily proved to be particularly effective. It may be time for all federal grantor agencies to critically evaluate their oversight responsibilities and processes for the purpose of identifying and implementing much-needed reforms. Such an evaluation should include implementing a comprehensive program to regularly emphasize to Insular Area government officials the need for and benefits of improved accountability. In addition, annual government ethics training should be emphasized because accountability issues have occurred as a result of questionable and/or weak ethical practices, as well as the ignoring and/or circumventing of established policies and procedures. My office maintains a permanent presence in the U.S. Virgin Islands and Pacific islands, providing independent audit coverage, and in the Pacific helping to develop the capacity of the Public Auditors. Sadly, because our findings repeat themselves over and over again, we could almost report our audit results without even conducting the audit work. As for our capacity-building efforts in the Pacific, while they are enthusiastically embraced by the Public Auditors, their respective governments do not necessarily welcome the enhanced oversight, and do not extend appropriate support for their own Public Auditors or OIGs. Recently, DOI's Office of Insular Affairs has also inexplicably eliminated the grants that

the Public Auditors desperately relied upon for travel and training related to our capacity building activities.

Although we have had long-standing concerns about the lax practices of DOI's fee-for-service entities – DOI procurement functions authorized to charge fees to award and manage contracts for other federal agencies – concerns which were borne out, to some degree, in the acquisition scandal related to interrogation services at Abu Ghraib prison in Iraq, we have been unable to express a definitive critique until recently. In a recently released report, emanating from a joint audit with the OIG for the Department of Defense (DOD) of DOI's two primary fee-for-service entities, we found that in providing acquisition services to DOD, DOI did not always follow appropriation and procurement laws, regulations, and rules. As a result, DOI left DOD vulnerable to fraud, waste, and abuse, and made itself vulnerable to potential sanctions, loss of acquisition center business, and a loss of public trust.

Throughout the Department, the appearance of preferential treatment in awarding contracts and procurements has come to our attention far too frequently, and the failure of Department officials to remain at arms length from prohibited sources is pervasive. In the last 2 years alone, we have uncovered golf outings, dinners, hunting trips, concert tickets, and box seats at sporting events being accepted by DOI officials from prohibited sources; we have also chronicled exclusive access and special favors provided by DOI employees to select outside entities, all of which are, at a minimum, violations of the Standards of Ethical Conduct for Employees of the Executive Branch. Many of these DOI officials were Senior Executive Service or political appointees.

In the end, the offending officials were primarily scolded and directed to take ethics training; for others, no action was taken whatsoever, which leads me to the root of my greatest frustration as the IG for Interior – a culture replete with a lack of accountability.

In 2004, we issued our report on Conduct and Discipline in the Department. Among our findings was a clear perception by employees that there is a significant amount of misconduct that goes unreported and that discipline is administered inconsistently. We also found that supervisors received lesser sanctions for the same misconduct than non-supervisors.

Our own statistics bear this out: For the years 2003 – 2006, 71 employees were identified as potentially subject to administrative action; however, action was taken against less than half of those employees. Fifty-five percent of these employees were GS-14s and below, yet 71 percent of the actions taken were against this group. SESers and GS-15s comprised 45 percent of these employees, but action was taken in only 31 percent of their cases.

More simply stated, the percentage of actions taken against SES and GS-15s is markedly lower than for every GS-level below them. Moreover, the SES is remarkably immune to any adverse action greater than a reprimand – of 21 employees subject to administrative action, more than half received no discipline at all; the remainder received a reprimand, a transfer, or were allowed to resign. I have testified before about this frustration as recently as September 2006, when I described ethics failures on the part of senior Department officials, both political and career – taking the form of appearances of

impropriety, favoritism, and bias – that have been routinely dismissed with a promise that they will "not do it again."

In this regard, I would like to be clear on one thing: I have gone on record to say that I believe that 99.9 percent of DOI employees are hard-working, ethical, and well-intentioned. Unfortunately, it only takes a few people to cast a shadow of impropriety over the entire Department and erode the public trust. From my office's perspective, I would point to the Abramoff scandal as an example of how the conduct of one or two people can cause an enormous diversion of resources, best evidenced by the commitment we have made to that investigation, with 10 agents dedicated to the case, now 3 years running. Since my office has had no increase in staffing levels in the 7 years I have been the IG at Interior, we have little capacity to adjust for such diversions of staff.

Mr. Chairman, I also want to make it clear that Secretary Kempthorne has inherited these cultural problems. In fairness to him, I have discerned a dramatic shift in attitude since his arrival. The Secretary has clearly signaled, both in terms of his messages to Interior employees and in discussions with me, his clear intention to create and sustain a culture of ethics and accountability during his tenure as Secretary of the Interior. He has now hired an experienced, professional chief ethics officer for the Department and has recently created a Conduct Accountability Board to advise him on disciplinary matters. Therefore, I am hopefully optimistic that this culture will soon become a thing of the past.

This concludes my formal testimony. Thank you for the opportunity to appear here before the Committee today. I will be happy to answer any questions you may have.